Focus on: Netherlands

International Business Report 2010 – Country focus series

The recovery

Q2 GDP growth in the Netherlands was encouraging. Exports surged, but stubborn consumers and firms' reluctance to invest mean the recovery path is heavily one-sided. As such the recovery is fragile, susceptible to worsening external conditions. Growth is expected to soften in the second half of 2010 compared with the Q2 results, as domestic demand is likely to be sluggish. Long term growth is likely to be steady, but unspectacular.

The key indicators[1] are highlighted below:

- in Q2 2010 Netherlands' GDP grew one per cent on the previous quarter and 2.2 per cent year-on-year
- the inflation rate hovered around 0.9 per cent in the first six months of the year
- exports increased by 11.5 per cent quarter-on quarter
- private consumption in Q2 2010 increased by 0.7 per cent on the previous year
- employment increased by 0.1 per cent quarter-on-quarter, although this represents a 0.6 per cent fall on the previous year.

Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on the Netherlands, the experiences and attitudes of its businesses and how they have been affected by economic crisis along with how they are dealing with recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in the Netherlands are more optimistic this year as regards the outlook for the economy over the next 12 months, and three-quarters expected to see an upturn in the global economy by the end of 2010. Business expectations for revenue and profitability are more optimistic than last year, but a lack of demand for products and services remains one of the major constraints on potential expansion.

[1] source: International Monetary Fund, The Economist and Experian.

Looking ahead

2010 kicked off to a very bad start. Consequently, real GDP is expected to fall by 4.2 per cent in the year as a whole. All sectors have been hit – with exports and investments seeing the most pronounced falls. Government spending is the only positive element, although that in itself raises concerns about the fiscal position.

With a sustained recovery recorded in core European markets, growth is expected at a moderate 1.4 per cent. The main impetus will come from exports and government spending. Investment activity will continue to weaken as firms restore profitability levels before making significant new investment decisions.

Stronger investment is expected in 2011, as well as a pick up in consumer spending. These factors will take over from exports and government spending as the main growth drivers. A positive contribution from domestic demand is expected to underpin GDP growth at a near-trend two per cent.

Employment looks to shrink by a further 0.5 per cent in 2010 – a slight improvement on previous forecasts given the better-than-expected outcome in recent months. Employment growth is expected to resume at a very gradual pace in 2011.

As the economy exits recession, all businesses will face new challenges and will need to take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Figure 1: Key indicators for businesses

Netherlands compared to EU average	2008 Neth	2009 Neth	2010 Neth	2010 EU
Outlook for the economy over the next 12 months				
Balance of optimists over pessimists	+70%	-37%	+16%	+7%
Change in employment levels				
Balance of businesses expecting an increase over those expecting a reduction	+56%	-5%	+12%	-1%
Constraints on expansion				
Regulations/red tape	33%	25%	23%	34%
Shortage of orders/reduced demand	9%	28%	20%	41%

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.

Frank Ponsioen
T +31 (0) 172 42 38 70
E frank.ponsioen@gt.nl
W www.gt.nl

International Business Report results

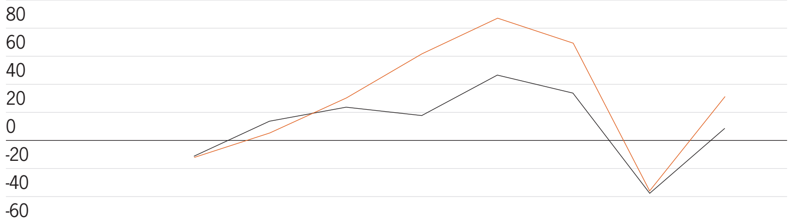
The Grant Thornton IBR 2010 reveals that businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in the Netherlands are less pessimistic about prospects for 2010; their optimism/pessimism balance[2] has risen 53 percentage points from -37 per cent in 2009 to +16 per cent in 2010.

For the first time in six years, India has been overtaken as being the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy – compared to a balance of -16 per cent in 2009.

Figure 2: Outlook for the economy over the next 12 months: 2003-2010

Percentage balance of businesses indicating optimism against those indicating pessimism

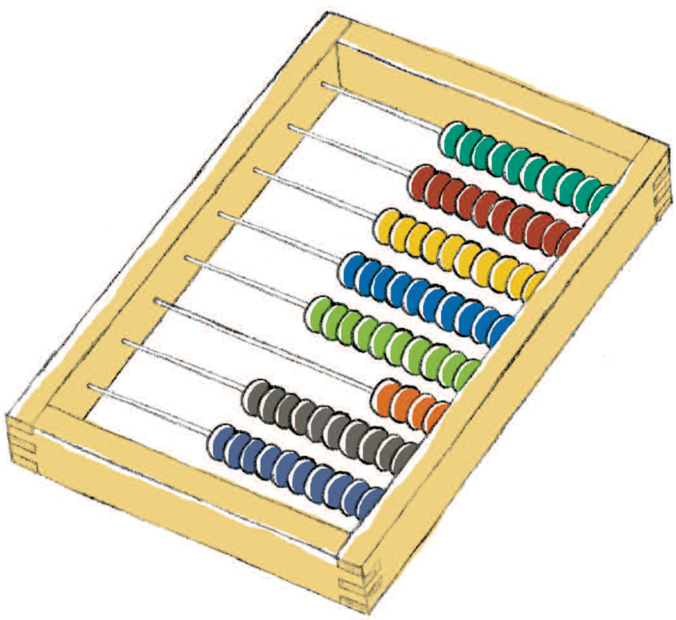


	2003	2004	2005	2006	2007	2008	2009	2010
Netherlands	-11	6	31	63	86	70	-37	16
European Union	-12	15	23	18	46	34	-38	7

Source: Grant Thornton IBR 2010

Optimism/pessimism

- businesses in the Netherlands are more optimistic about their economy this year (+16 per cent) compared with 2009 (-37 per cent)
- optimism levels in the Netherlands (+16 per cent) are higher than the European Union[3] (EU) average (+7 per cent)
- optimism amongst businesses across the EU region as a whole has risen by 45 percentage points this year, from -38 per cent to +7 per cent.



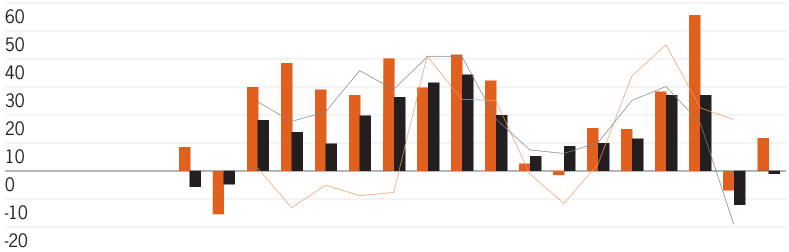
[2] the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.
[3] for the purposes of IBR, the term 'EU' refers to those EU countries covered by our survey – Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

Employment

- a balance of +12 per cent of businesses in the Netherlands expect employment to grow in 2010, compared with -1 per cent of businesses across the EU as a whole
- expectations have risen by 17 percentage points in the Netherlands and 11 percentage points across the EU as a whole
- actual employment growth reported by businesses in the Netherlands for 2009 (+18 per cent) was considerably higher than the contraction expected 12 months previously (-5 per cent).

Figure 4: Employment history: 1993-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10*
Expected Neth	8	-16	30	38	29	27	40	30	42	33	3	-1	15	18	40	56	-5	12
Expected EU	-6	-5	18	14	10	20	26	32	34	20	5	9	10	12	27	27	-12	-1
Actual Neth	–	–	1	-13	-5	-9	-8	41	26	25	-1	-12	3	34	45	23	18	–
Actual EU	–	–	24	17	21	36	29	41	41	18	7	6	10	25	30	17	-19	–

*2010 data will be documented in IBR 2011

Please note that the expected values are represented by the bars and the actual values by the lines

Source: Grant Thornton IBR 2010

Revenue expectations

- expectations for revenue prospects have risen by 28 percentage points this year to +32 per cent, up from +4 per cent in 2009
- the EU average has risen by 23 per cent, from +5 per cent last year to +28 per cent this year.

Figure 4: Revenue expectations: 1993-2010

Percentage balance of businesses indicating an increase against those indicating a decrease

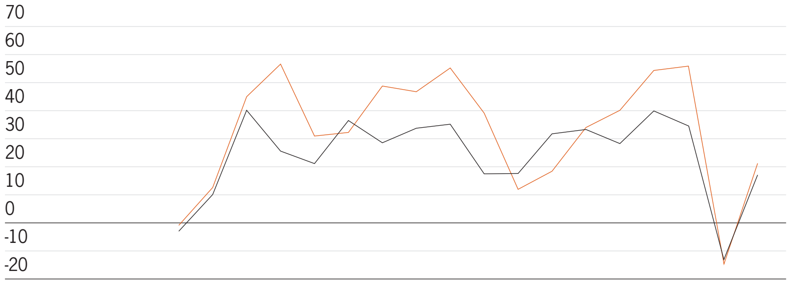
	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10
Netherlands	39	30	68	64	65	61	71	70	72	55	43	32	62	53	71	79	4	32
European Union	23	40	65	58	47	64	58	63	64	46	33	44	49	51	59	65	5	28

Source: Grant Thornton IBR 2010

Profitability expectations

- the balance of businesses expecting to increase profits in the Netherlands has also risen; with a 36 per cent increase, up from -15 per cent in 2009 to +21 per cent this year
- the EU average has risen 30 percentage point and turned positive again following last year's dip (-13 per cent), to +17 per cent in 2010.

Figure 5: Profitability expectations: 1993-2010
Percentage balance of businesses indicating an increase against those indicating a decrease



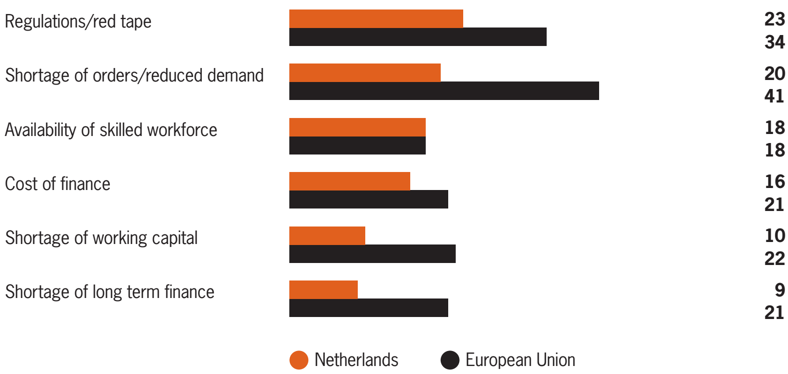
	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10
Netherlands	-1	13	45	57	31	32	49	47	55	39	12	18	34	40	54	56	-15	21
European Union	-3	10	40	26	21	37	29	34	36	17	17	32	33	29	40	36	-13	17

Source: Grant Thornton IBR 2010

Constraints

- regulations/red tape has been cited as the most pressing constraint on expansion by businesses in the Netherlands this year; although at 23 per cent this is still lower than the EU average (34 per cent)
- a shortage of orders/reduced demand (20 per cent) is cited as the second greatest constraint by businesses in the Netherlands, compared with 41 per cent of businesses across the EU as a whole.

Figure 6: Constraints on expansion
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint

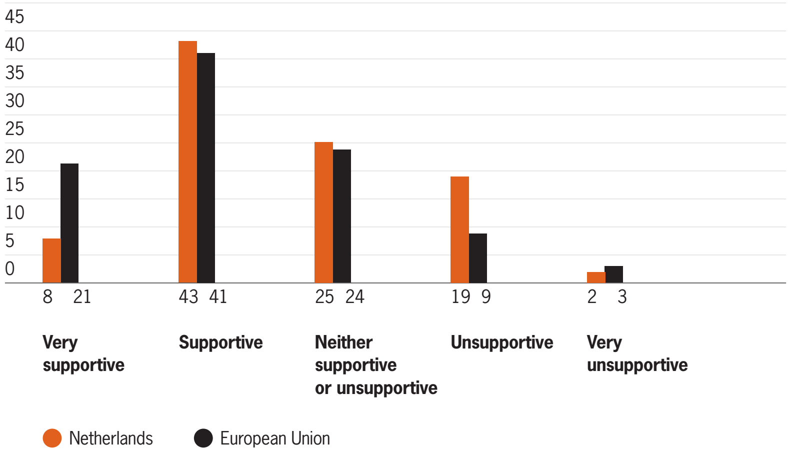


Source: Grant Thornton IBR 2010

Support of lender

- the majority of businesses in the Netherlands are happy with the level of support provided by lenders; 51 per cent class lenders as supportive or very supportive towards their business
- this is lower than businesses across the EU as a whole (62 per cent)
- however, 21 per cent of businesses in the Netherlands believe that lenders are unsupportive or very unsupportive of their business, compared with the EU average of 12 per cent.

Figure 7: Level of support provided by lenders
Percentage of businesses

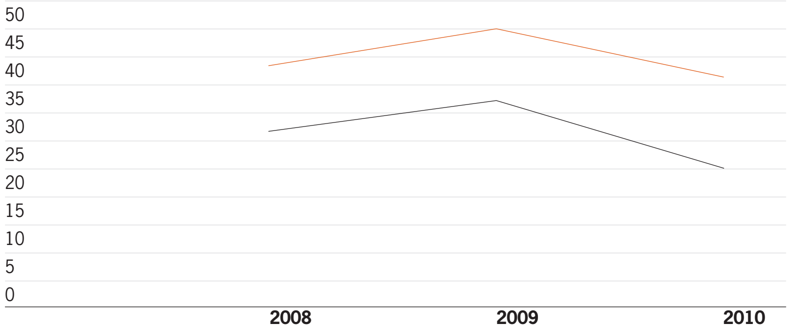


Source: Grant Thornton IBR 2010

Mergers & acquisitions

- the proportion of businesses in the Netherlands planning to grow through acquisition this year has fallen, from 50 per cent in 2009 to 41 per cent
- and four-fifths of these businesses expect this to be through domestic acquisition
- the EU average has also dropped this year, from 37 per cent in 2009 to 25 per cent.

Figure 8: Plans to grow through acquisition in the next three years
Percentage of businesses planning to grow through acquisition



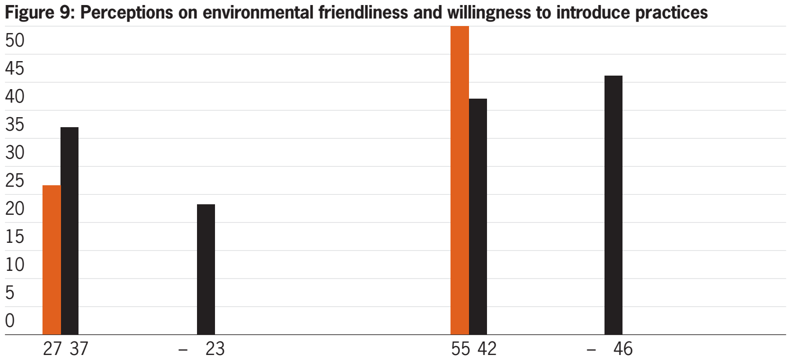
	2008	2009	2010
Netherlands	43	50	41
European Union	32	37	25

Source: Grant Thornton IBR 2010

Environmental

- a smaller proportion of businesses in the Netherlands this year consider the business community to be environmentally friendly; 27 per cent compared to 37 per cent in 2009
- however, a much higher proportion than last year, would introduce environmentally friendly policies, even if they were to impact negatively on the bottom line of the business; 55 per cent compared to 42 per cent in 2009
- compared to the 2009 EU average (2010 not available), the Netherlands outlook is more positive in relation to environmental matters.

Figure 9: Perceptions on environmental friendliness and willingness to introduce practices



Netherlands **European Union**
How environmentally friendly do you consider the business community in your country to be? (Percentage balance of businesses)

Netherlands **European Union**
Would you introduce environmentally friendly practices if they were to negatively impact on the bottom line of your business? (Percentage of businesses answering yes)

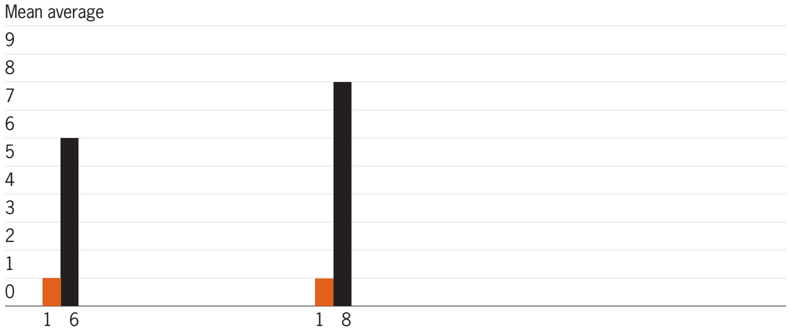
2010 2009

Source: Grant Thornton IBR 2010

Women in business

- this year, one in eight senior management personnel is female
- this represents a smaller proportion than in 2009, when one in six senior management personnel were female.

Figure 10: Proportion of women in senior management
Mean average



2009 **2010**

Senior management women Senior management total

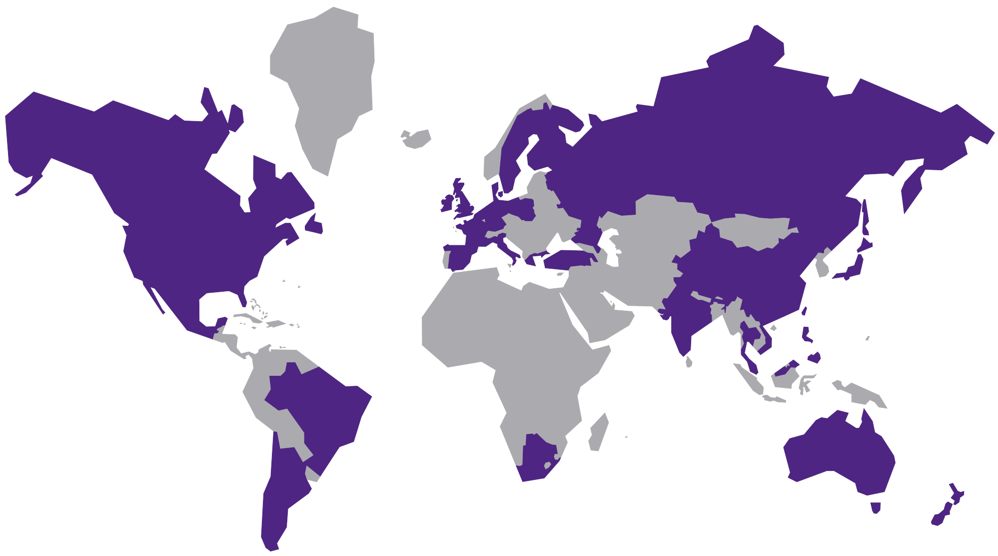
Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 PHBs in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the 'engine' of the world's economy. In the Netherlands 150 businesses were surveyed across all industry sectors. These businesses ranged from small to large in size with total employment of between 50 and 499.

To find out more about IBR and to obtain copies of reports and summaries visit: **www.internationalbusinessreport.com**. The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

Participating economies

Argentina
Armenia
Australia
Belgium
Botswana
Brazil
Canada
Chile
Mainland China
Denmark
Finland
France
Germany
Greece
Hong Kong
India
Ireland
Italy
Japan
Malaysia
Mexico
Netherlands
New Zealand
Philippines
Poland
Russia
Singapore
South Africa
Spain
Sweden
Taiwan
Thailand
Turkey
United Kingdom
United States
Vietnam



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